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ABSTRACT

Federal assistance for residential care for children in California was reviewed to determine: (1) which sources of federal funds sustain children placed in group homes; (2) whether services paid for with federal funds were provided; (3) whether rates paid to group homes were unallowable or unreasonable; (4) whether conditions at the group homes were safe and sanitary; and (5) whether the potential existed for duplicate billings for services provided by other federal programs. Residential care encompasses the foster care program and includes children placed in foster family homes, small family homes, and group homes. Data were gathered through reviews of records and interviews with knowledgeable officials at the federal, state, and county levels, as well as individuals operating 18 group homes that were reviewed in detail. Additionally, to observe typical living conditions, tours were made of another 48 group homes. Findings indicated that Title IV-E of the Social Security Act was the primary source of federal funds to support group homes. Amounts paid to group homes for each child varied widely, but costs incurred by the homes were allowable under federal and state guidelines. Group homes visited met state safety standards. No evidence was found that the 18 homes reviewed in detail had engaged in duplicate billing of other federal programs. (RH)

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Report To The Honorable George Miller House Of Representatives

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Review Of Certain Aspects Of Group Home Care For Children In California

A group home is a facility that provides 24-hour care and supervision in a group setting for any number of children under age 18. For the group home program in California, GAO found the following:

—Title IV-E of the Social Security Act is the primary source of federal funds to support group homes. Group homes also receive funds from many other federal sources; however, total funding from these sources could not be identified at the state level.

—Amounts paid to group homes for each child varied widely, but costs incurred by the homes were allowable under federal and state guidelines. Because there were no specific federal or state criteria on comparable costs of similar institutions, the reasonableness of these costs could not be determined.

—Group homes visited by GAO met state safety standards. However, 29 of the 66 homes visited had one or more sanitary standard deficiencies at the time of the GAO visit.

—GAO found no evidence that the 18 homes it reviewed in detail had duplicately billed other federal programs. However, county auditors had identified duplicate payments in the past.

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UNITED STATES GENERAL ACCOUNTING OFFICE
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HUMAN RESOURCES
DIVISION

B-218522

The Honorable George Miller
House of Representatives

Dear Mr. Miller:

This report is in response to your request that we review federal assistance for residential care for children in California. Residential care encompasses the foster care program and includes children placed in foster family homes, small family homes, and group homes.[1]

In later discussions with your office, we agreed to limit our efforts to group homes in California and to determine

--which sources of federal funds sustain children placed in group homes,

--whether services paid for with federal funds were provided,

--whether the rates paid to group homes were unallowable or unreasonable,

--whether the conditions at the group homes were safe and sanitary, and

--whether the potential existed for duplicate billings for services provided by other federal programs.

Appendix I provides a detailed discussion of the information developed in response to these specific areas of interest.

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[1]The term "group homes," as used in this report, refers to homes providing 24-hour care and supervision for any number of children under age 18.

In performing our work, we reviewed records and interviewed knowledgeable officials at the federal, state, and county levels as well as individuals who operated the 18 group homes in four California counties that we reviewed in detail. We also toured another 48 group homes to observe typical living conditions. At the time of our review, fiscal year 1983 data were the latest available. (Our objectives, scope, and methodology are detailed in app. II.)

In summary, our review disclosed that:

--The primary source of federal funds to support group homes is title IV-E of the Social Security Act (as added by Public Law 96-272). Title IV-E funds pay maintenance costs--amounts that group homes charge the counties for children's care and supervision--and administrative and training costs to administer this program. Secondary federal funding sources under the Social Security Act are title XIX, Medical Assistance (Medicaid); title XX, Social Services; title IV-B, Child Welfare Services; and title XVI, Supplemental Security Income. Group homes also receive funds under the Department of Agriculture's school breakfast, lunch, and special milk programs; the commodity food program; the education for the handicapped program; and the mental health program.

  The only funds specifically identifiable at the state level for maintenance of children in group homes were provided through title IV-E. Consequently, the total amount of federal funds going into the group homes in California could not be determined.

--Under title IV-E, required services for each child include providing (1) a written case plan for each child; (2) a periodic review at least every 6 months of the status of the children in foster care to determine the continuing necessity for and appropriateness of placement; and (3) maintenance payments for food, clothing, shelter, and other daily living necessities. Our analyses of 191 case files for 18 group homes in four counties showed that 75 had no written case plan and only 26 of the other 116 contained all the above material required by title IV-E. However, we did find that the federal foster care maintenance payments were used to provide basic food, clothing, and shelter necessities.

--Amounts paid to group homes for each child varied widely, but costs incurred by the homes were allowable under federal and state guidelines. For the 18 group homes reviewed, payments for fiscal year 1983 ranged from $1,000 to $2,149 monthly per child. Because there were no specific federal or state criteria on comparable costs of similar institutions, the reasonableness of these costs could not be determined.

--Safety standards were met at the 66 group homes visited. At the time of our visits, however, 29 of the 66 group homes had one or more sanitary standard deficiencies.

--We found no evidence that the 18 group homes we reviewed in detail had duplicately billed other federal programs. However, county auditors had identified duplicate payments in the past.

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Both the Department of Health and Human Services and the California Department of Social Services were afforded an opportunity to comment on our report. The Department of Health and Human Services gave us some technical comments, and the state offered some clarification points. Changes have been made in the report as appropriate. Copies of the agencies' comments are in appendixes III and IV.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Richard L. Fogel

Richard L. Fogel
Director

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ABBREVIATIONS

CHAMPUS	Civilian Health and Medical Program of the Uniformed Services
CCL	California Department of Social Services, Community Care Licensing Division
GAO	General Accounting Office
HHS	Department of Health and Human Services

REVIEW OF CERTAIN ASPECTS OF GROUP HOME CARE FOR CHILDREN IN CALIFORNIA

Congressman George Miller requested that we review federal assistance for residential care for children in California. Residential care in California encompasses the foster care program and includes children placed in foster family homes, small family homes, and group homes.[1]

In later discussions with Mr. Miller's office, we agreed to limit our efforts to group homes in California and to determine

- --which sources of federal funds sustain children placed in group homes,
- --whether services paid for with federal funds were provided,
- --whether the rates paid to group homes were unallowable or unreasonable,
- --whether the conditions at the group homes were safe and sanitary, and
- --whether the potential existed for duplicate billings for services provided by other federal programs.

This report complements another recent GAO report,[2] prepared at Congressman Miller's request, which focused on certain characteristics of children and their families associated with patterns of child placement in public and private residential care facilities.

In performing our work, we reviewed records and interviewed knowledgeable officials at the federal, state, and county levels as well as individuals who operated the 18 group homes in four California counties that we reviewed in detail. We also toured another 48 group homes to observe typical living conditions. At the time of our review, fiscal year 1983 data were the latest

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[1]For purposes of this study, the term "group homes" refers to homes providing 24-hour care and supervision for any number of children under age 18.

[2]Residential Care: Patterns of Child Placement in Three States (GAO/PEMD-85-2, June 28, 1985).

available. (Our objectives, scope, and methodology are detailed in app. II.)

TYPES OF FACILITIES FOR CHILDREN'S CARE

Group homes are one of three types of facilities California licenses for foster care children. The other two are foster family homes and small family homes.

State Department of Social Services statistics showed that for 1983, group homes constituted 8 percent of the children's residential care facilities in California but represented 25 percent of the beds available and housed 23 percent of the foster care children in the state, as shown in the following table:

	Number of facilities	Number of beds	Number of children[a]
Foster family homes	12,573 (84%)	28,471 (65%)	21,544[b] (77%)
Small family homes	1,238 (8%)	4,441 (10%)	
Group homes	1,115 (8%)	10,605 (25%)	6,613 (23%)
Total[c]	14,926 (100%)	43,517 (100%)	28,157 (100%)

[a]These are foster care children only. Numbers of children placed by other programs, such as education and developmentally disabled, were not available.

[b]California combines foster and small family homes for statistics regarding the total number of children in care.

[c]Number of facilities and beds are as of December 1983. Number of children represents an average of fiscal year 1983 monthly figures.

Foster family homes

A foster family home is the family residence of foster parents, who provide care for not more than six foster children in a family setting. Monthly payment amounts for each child are based on age. For example, the state rate schedule effective July 1983 allows $280 monthly for a 4-year-old child and $392 monthly for a 15-year-old child.

Small family homes

A small family home provides care for not more than six children and monthly payments based on the same age rate schedule as foster family homes. The small family home primarily provides specialized services for developmentally disabled, physically handicapped, or mentally disordered children.

Group homes

A group home for children is a facility that provides 24-hour care and supervision in a group setting for any number of children under age 18. Each group home must have a written operations plan, a specially qualified administrator, a social worker or equally trained professional, and at least one child care worker for every 8 or 10 children depending upon age. The state generally establishes monthly payments per child to the group home based on the home's historical costs.

Children are sent to live in group homes for such reasons as parental neglect or juvenile delinquency often after a county case worker's attempts to resolve problems have failed. Some children are removed from their own homes and placed in group homes because they are abused, abandoned, neglected, or inadequately supervised or supported by their parents. These children are declared dependents of the juvenile court under the supervision of county departments of social services. Each dependent child is assigned to a caseworker, who has responsibility for supervising the child in out-of-home care.

Other children are removed from their homes because they have broken the law. These children are declared wards of the juvenile court and come under the supervision of county probation departments. Each ward is assigned to a probation or deputy probation officer, who supervises the child's out-of-home care.

Still other reasons for children being placed in out-of-home care include: (1) families' inability to meet the needs of mentally or developmentally disabled children, (2) children's need for a special education that the public schools cannot provide, and (3) families' neglect of care for the children because of economic problems. When families are unable to care for their children, they may voluntarily place them in group homes with the approval of the placement agency.

APPENDIX I

LEGISLATION, REGULATIONS, AND FUNDING OF GROUP HOME CARE

Group home care for children is regulated and funded through a combination of federal and state legislation. However, only one federal program and one corresponding California program--the foster care program--provide funding specifically to support children needing 24-hour care out of their homes.

The federal program is authorized under title IV-E of the Social Security Act (as added by Public Law 96-272). The Department of Health and Human Services' (HHS') Office of Human Development Services is responsible for administering the title IV-E program at the federal level.

The California Civil Code, Health and Safety Code, and Welfare and Institutions Code contain the provisions that apply to group homes. They define the types of children that may be placed in group homes and set minimum health and safety standards for these homes. Additionally, the California Administrative Code provides minimum criteria for licensing group homes and regulates operations of these homes. The California Department of Social Services administers the title IV-E program at the state level. Each of California's 58 counties administers the program at the local level.

Various other federal programs may also provide funds for children residing in group homes. These programs include other titles under the Social Security Act and other programs, such as education for handicapped children; school breakfast, lunch, and special milk programs; the commodity food program; financial aid for the developmentally disabled; and mental health. California laws and regulations generally implement the various federal programs through corresponding state departments, such as education, developmental services, and mental health.

MANY SOURCES OF FEDERAL FUNDS GOING INTO GROUP HOMES

We identified one primary and numerous secondary sources of federal funds that provide for children in group homes. The primary source is title IV-E of the Social Security Act. Title IV-E funds for the foster care program in California pay 50 percent of the maintenance costs--amounts that group homes charge the counties to sustain children in the homes; 50 percent of the administrative expenses; and 75 percent of training expenses. Other Social Security Act sources and other funds are discussed on pages 6 to 9.

The amount of federal funds other than title IV-E going to children in group homes could not be identified. Consequently, the total amount of federal funds going to children in group homes could not be determined.

Title IV-E foster care funding

In fiscal year 1983, California spent $87.2 million in federal title IV-E foster care funds: $51.7 million on maintenance payments and $35.5 million on administrative and training expenses. The state reimburses its counties for the federal and state shares of title IV-E eligible foster care maintenance, administrative, and training expenses and then claims the federal portion for reimbursement from title IV-E funds.

Maintenance payments

Title IV-E foster care maintenance payments include the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel for the child's home visits. In the case of institutional care, it also covers the costs of administration and operation of the institution to provide the above items. The federal maintenance cost share in California is 50 percent of payments made for the care of children eligible under IV-E. The state and counties share the remaining 50 percent--of which the state pays 95 percent and the county pays 5 percent.

For fiscal year 1983 the average monthly number of children in California's foster care program was 28,157. Of these, 16,235 (58 percent) were eligible for IV-E funding. The total foster care maintenance payments made by the state for title IV-E eligible children was about $103.5 million, of which the federal share was about $51.7 million. The remainder was shared by the state and counties.

Of the 16,235 children eligible monthly for federal IV-E funds, 2,518 (16 percent) were group home children, and they received over $23 million (45 percent) of the $51.7 million federal IV-E share of foster care maintenance payments.

Administrative and training costs

Allowable title IV-E administrative and training costs are those necessary to administer the foster care program at both the state and county levels in accordance with applicable federal regulations. These costs include placing children in the foster

care program (including group homes), developing children's case plans, conducting case reviews, providing case management and supervision, and administering the family reunification and children's permanent placement planning program. Administrative costs also include licensing and monitoring the homes and setting monthly payment rates. Training costs for state and county staff members who administer the title IV-E foster care program are also allowable expenses.

Title IV-E foster care funds in California pay 50 percent of allowable state and county administrative costs and 75 percent of training expenses.

In fiscal year 1983, the state made payments of about $70.5 million for administrative and training expenses of the foster care program. Of this amount, $35.5 million was charged to title IV-E. The remainder was shared by the state and counties. Payments made for the 2,518 children in group homes could not be separately identified because the state does not account for administrative and training expenditures by type of facility.

Secondary sources of funds

Title XIX Medical Assistance (Medicaid)

Under Title XIX of the Social Security Act (Medicaid), funds are provided for state assistance programs to provide medical care to families and individuals who meet income and other eligibility requirements. In California, Medi-Cal is the state's Medicaid program providing health care services to these individuals. Children in group homes are eligible for Medi-Cal benefits because they are living away from parents or relatives and are a public agency's financial responsibility or if they are recipients of title IV-E funding.

The chief of medical services research section of the state center for health statistics gave us statistics that show Medi-Cal paid an estimated $21.3 million for all foster care children in fiscal year 1983. The 50-percent federal share, which amounts to about $10.65 million, was paid for foster care children's medical expenses from title XIX Medicaid funds. The state's Medi-Cal statistics do not separately identify the children by the types of foster care facilities; therefore, the amount of Medi-Cal funds going to children in group homes cannot be identified.

Title IV-B, Child Welfare Services

Public Law 96-272 not only established title IV-E of the Social Security Act, but also changed the existing title IV-B, the child welfare services program. Services provided under IV-B are intended among other things to reduce the number of children entering and remaining in foster care and improve the quality of care for foster children. Such services include public social services directed toward protecting and promoting the welfare of all children; preventing or remedying problems that may result in neglect, abuse, or delinquency of children; preventing unnecessary separation of children from their families; and assuring adequate care of children away from their homes.

In fiscal year 1983, California spent $144.5 million for title IV-B child welfare services, including $13.2 million of federal funds.. We were unable to determine the amount of federal funds going to children in group homes as part of foster care because HHS does not require the state to maintain statistics on how title IV-B funds are divided between programs.

Title IV-B also includes fiscal incentives to encourage states to make improvements in their foster care programs.[3] To be eligible for incentive funds, a state must implement certain provisions described in the new section 427(a) of title IV-B, including an inventory of children who have been in foster care at least 6 months, a statewide information system, a case review system, and a service program designed to help children return to their families. California submitted a plan indicating that it had implemented these section 427 provisions and received $1.4 million in incentive funds for fiscal year 1983 from HHS. However, in March 1985, HHS disallowed all section 427 funds awarded to California for fiscal year 1983 because the state did not provide case records, which HHS requested, to certify state compliance with section 427 provisions. California has appealed the disallowance. As of April 1985, HHS had not made a final ruling on the appeal.

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[3]We issued a report entitled Better Federal Program Administration Can Contribute to Improving State Foster Care Programs (GAO/HRD-84-2, Aug. 10, 1984), which discussed implementation of the provisions of section 427 of the Social Security Act. California was not included in that review.

Title XX Social Services Block Grants

Title XX of the Social Security Act provides block grants to be used for social services. Title XX programs include a broad range of services, with the states deciding which ones will receive title XX funding.

In fiscal year 1983, California's title XX block grant was $281.7 million, but the part of those funds going to children in group homes could not be determined because the state does not maintain the necessary statistics. Moreover, the total funding sources for many title XX programs are not clear because certain programs received funding from more than one source. For example, the title IV-B child welfare programs also received title XX funding. When eligibility for program funding overlaps, California decides how to apportion funds among programs, and block grant requirements do not call for tracking or reporting of the apportionment.

Child nutrition programs

The U.S. Department of Agriculture funds several programs to provide nutritious, low-cost meals to children as prescribed in the Child Nutrition Act of 1966. In California, children in group homes receive assistance under the National School Lunch, the School Breakfast, and the Special Milk programs and the Commodity Food program. The California department of education distributes food received from the Department of Agriculture in the Commodity program and administers both the Special Milk program and cash payments for the other two programs. Cash payments are based on the number of meals served to all children who qualify for free or reduced price meals because they are from families meeting prescribed eligibility standards based on family size and income.

Again, we were unable to determine the amounts of federal funds and value of the various programs to children in group homes. The California department of education does not maintain records specifically identifying group home care or the total value of the commodities and cash payments distributed to group homes.

Other funding sources

Several other federal funding sources help support children in group homes. The funds from these sources are not directed specifically to support children in group homes, but nevertheless

have that effect by supporting children with mental or developmental disabilities who may be in need of special education or who also may happen to live in group homes. The funding sources providing support include (1) title XVI of the Social Security Act, Supplemental Security Income and (2) the Education for All Handicapped Children Act and programs for mental health and the developmentally disabled. The amount of federal funds going to these children could not be determined because the placing agencies--the California departments of education, developmental services, and mental health--do not keep statistics specifically on children in group homes.

Federal funds also support children who are eligible for the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). CHAMPUS supports these children in group homes, which provide 24-hour, long-term psychiatric treatment. Physicians refer these children for placement, and their care is paid for under CHAMPUS. CHAMPUS could not identify the numbers of children or amounts of support for California because it does not keep statistics by state. CHAMPUS gave us a list of 10 group homes in California where the program had placed children, and we visited 3 of them. The three homes had a total of 104 children, and CHAMPUS paid between $3,314 and $5,323 a month for each child's care.

SERVICES TO CHILDREN IN GROUP HOMES

Only in the title IV-E foster care program were we able to determine whether federally financed services were actually being provided to children in group homes. Title IV-E requires agencies placing children in foster care to provide certain services, including

--developing a written case plan for each child;

--reviewing at least every 6 months the status of children in foster care to determine the continuing necessity for and appropriateness of placement; and

--providing foster care maintenance payments services to children, which cover food, clothing, shelter, etc.

To determine whether these requirements were being met, we reviewed case files of children living in 18 group homes in four California counties. While we reviewed 283 children's files at the homes, only 191 were available at the county level. The other 92 files were not available because 57 children were from counties we did not visit, 27 were placed by CHAMPUS or private

sources and were not funded by title IV-E, and one county could not locate 8 files.

As discussed below, we found incomplete or missing case plans in our case file review for most of the children.

According to the state Department of Social Services, it conducted a statewide child welfare services compliance review of all counties, including group home placements, between April and June 1983, and in the four counties we reviewed, all sample cases had case plans. However, our review of state reports showed that only two of the four counties were in 100-percent compliance.

We also found that although amounts for services charged to title IV-E varied widely, the federal foster care matching maintenance payments were used to provide basic food, clothing, and shelter necessities.

According to HHS officials, they have not been able to determine California's compliance with titles IV-E and IV-B case plan requirements because the state has not provided case files for HHS review (see p. 7).

Most case plans were incomplete or missing

Of the 191 group home children's case files we reviewed at the social services and probation departments of Los Angeles, Orange, San Diego, and Mendocino Counties, 116 contained a written case plan. However, only 26 of the 116 (22 percent) were complete and covered all four elements of a case plan as described below.

For state plans to be approved under title IV-E, they must require each child to have a written case plan designed to place the child in the least restrictive, most family-like setting close to the parents' home and consistent with the best interests and special needs of the child. Regulations also require that the case plan be developed no later than 60 days after the state agency assumes responsibility for the child. The case plan must include at least the following elements: (1) a description of the type of home or institution in which the child is to be placed; (2) a discussion of the appropriateness of the placement and how the agency is going to carry out the voluntary placement agreement or judicial determination; (3) a plan for assuring that the child receives proper care; and (4) a plan that assures services are provided to parents, child, and foster parents in order to improve the condition in the parents' home and to facilitate

returning the child to his or her own home or providing permanent placement, and address the needs of the child while in foster care, including a discussion of appropriateness of services provided under the plan.

During our case plan review, we did not make quality judgments about the contents of the plans, but only noted if the elements were addressed. Some case plans had long descriptions of the elements, while some had only a few words.

Our analysis of the 191 case files showed that 75 did not contain a case plan, 90 contained a plan but had one or more of the four required elements missing, and 26 had plans that contained all four elements. The element most often missing from case plans was a description of the type of home in which the child was to be placed, as shown in the table below.

	Required case plan elements			
	Description of type of home	Agency placement	Plan for proper care	Permanency planning
Included[a]	53	77	90	74
Missing[b]	138	114	101	117
Total files reviewed	191	191	191	191

[a]26 case plans included all four elements.

[b]75 case files did not have a case plan.

Social service supervisors from several counties stated that case plans were incomplete or not in the case files for several reasons. These included (1) large caseloads preventing caseworkers from completing the case plan forms, (2) plans being included in court documents instead of in the case files, (3) plans being lost in the filing system, and (4) plans being lost in transition and transfer among county offices and caseworkers.

While title IV-E requires that case plans be designed to place the child close to the parents' home, many foster children are placed at extreme distances out of the county. Placement officials in several counties told us that there are insufficient group homes within their counties to always place children close to their homes. Even though in our review we found openings in 46 percent of the 66 homes we visited, caseworkers explained that

the appropriate home might not have had an opening at the time a child needed placement so the child was placed out of the county. In one county, about one-third of the children are placed out of the county by court order, over which the caseworkers have no control.

According to county placing officials, out of the county placements present problems of extra time and travel distance in providing necessary services to children and assuring that children receive proper care. One county director of social services issued a report on ways that out of the county placements could be reduced by (1) developing projects to reduce the number of children placed in out-of-home care, (2) making it possible for current providers to be paid for developing more intensive treatment programs for children in the county, and (3) encouraging homes out of the county to open local facilities.

Six-month reviews

Title IV-E requires the state to assure that the status of each child is reviewed at least every 6 months by a court or through an administrative review. The purpose of the 6-month review is, among other things, to determine the necessity for and appropriateness of a child's out-of-home placement. We did not find sufficient documentation in the 191 service files reviewed to substantiate whether the required 6-month case reviews were being performed.

Social services and probation officials from the four counties we reviewed told us that they submit case review information to the juvenile courts, which set dates for the 6-month reviews.

According to the state Department of Social Services, all California counties had until March 31, 1983, to have all their cases reviewed by a juvenile court. However, our review of the case files, which was after the March 1983 date, showed that only 19 percent had the review dates documented.

Group homes provided maintenance services

Foster care maintenance services were being provided by the group homes, but the state paid group homes widely varying monthly rates for these services.

Title IV-E defined foster care maintenance payments to include the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, children's personal

incidentals, children's liability insurance, and reasonable travel for children's home visits. For institutional care, such as provided in group homes, payments also include the cost of administration and operations to provide the above items.

We reviewed the financial records at 18 group homes in the four California counties and evaluated the supporting documentation for costs that these homes submitted for maintenance payments. The review showed the 18 group homes used foster care maintenance payments to provide allowable title IV-E services.

GROUP HOME COSTS

Group homes are reimbursed by the counties for costs incurred by annually submitting and receiving state approval for monthly rates per child in care. For homes that have been in operation for over 1 year, the rates are based on allowable historical costs submitted by each home, but not to exceed the home's prior year's rate adjusted for the cost of living. These homes are limited to a cost-of-living increase even though their actual costs may have exceeded their monthly rate. Homes established 1 year or less are reimbursed by the state at a monthly rate based on projected allowable costs. Monthly payment rates for fiscal year 1983 for the 18 group homes in our sample ranged from $1,000 to $2,149 per child.

Group home allowable costs

Although we noted a wide variance in the group home monthly rates, we did not find any unallowable costs in the group homes we reviewed. Title IV-E maintenance payments for group homes include the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, personal incidentals, children's liability insurance, and reasonable travel for children's home visits. Reasonable costs of administration and operation necessary to provide the above services may also be included as allowable costs.

HHS issues policy guidance and interpretations regarding allowable costs. For example, HHS guidelines state that (1) daily supervision includes routine day-to-day direction and supervision but does not include social services or recreation and (2) costs of administration and operation must be related to providing title IV-E allowable services only.

State guidance includes the federal items in its allowable cost definitions and approves other costs which together form the basis in setting group home rates. For example, the state allows

activities performed by social workers which are not otherwise allowable as daily supervision or as costs of administration under title IV-E. These activities are funded by state general welfare services of federal funds other than title IV, such as title XX of the Social Security Act.

The state also pays shelter costs not allowed under title IV-E. These costs include interest on second and third mortgages as part of the original acquisition as well as leaseback arrangements entered into by the group home owners.

Each group home submits a request for rate approval to the state Department of Social Services. The rate requests must include the home's actual costs in several categories, such as (1) administration, (2) buildings and equipment, (3) child-related expenses, and (4) direct child care expenses. During fiscal year 1983, the state required some homes to submit audited financial statements along with their rate requests although, beginning July 1985, the state is proposing a regulation to eliminate the need for such statements. The state reviews the rate request for policy compliance, but does little to verify reported costs for the rate-setting process.

Our review of the financial records of the 18 group homes and of the documents sent to the state in support of the monthly rates showed group homes submitted a broad range of expenses which were charged to allowable cost categories. For example, the allowable administration category includes the following line items of cost:

- administration payroll
- professional fees
- telephone and telegraph
- postage and freight
- office supplies
- travel
- conferences, meetings
- memberships, subscriptions, dues
- printing, publications
- bonding, general insurance
- organizational costs
- advertising, recruiting
- miscellaneous

The other three major cost categories--building and equipment, child-related expenses, and direct child care expenses--are also sufficiently broad to permit inclusion of most business expenses.

APPENDIX I

Reasonableness of group home rates

We were unable to assess the reasonableness of the group home rates because of a lack of standards and criteria on which to make a determination. Our review of the financial records of the 18 group homes and the documents sent to the state in support of the monthly rates showed a broad range of expenses, all of which were charged to allowable cost categories.

The state follows HHS guidelines, which generally define reasonable costs as

> "No more than customary costs for performing similar functions in similar institutions; for example, the size (number of children), and type of children served, such as handicapped."

However, the state had not developed any comparative standards on which to make this determination. According to state Department of Social Services rate-setting officials, the lack of standard classifications, including any for types of children served, prevents them from determining comparable rates for similar types of children.

State Department of Social Services rate-setting officials expressed concern over a lack of comparative standards that would clearly define group home rates, but indicated that they did not believe they had enough experience to date to set standards, having only assumed rate-setting responsibility in October 1982. These officials also stated that once they gain more experience with the rate-setting process, they are hopeful that such standards can be set.

The following schedule shows the monthly rates, bed capacity, and selected expenses that partially make up the monthly rate per child for the 18 group homes we reviewed. As shown, the selected expenses varied substantially and do not directly relate to the allowable monthly rate or size of the homes. For example, the two homes with director's salaries over $200 monthly per child (homes A and H) had monthly rates of $2,149 and $1,147, while home A had a capacity of 6 and home H had a capacity of 12.

APPENDIX I

Group home	Bed capacity	Group home monthly rates per child	Selected expenses--average monthly cost per child[a]				
			Director's salary	Professional fees	Food costs	Mortgages leases[b]	Administrative costs[c]
A	6	$2,149	$234.65	$ 51.16	$154.25	$421.19	$ 61.15
B	6	1,659	56.24	28.50	57.70	79.54	136.52
C	6	1,592	56.56	43.64	82.24	217.34	134.64
D	6	1,578	178.85	.69	55.03	127.77	110.77
E	6	1,391	24.90	102.26	125.26	166.94	74.62
F	6	1,311	151.29	-	139.16	148.74	106.28
G	6	1,000	127.99	3.81	104.28	105.27	65.43
H	12	1,147	232.11	43.87	60.47	177.67	87.70
I	12	1,061	132.68	18.67	92.16	144.09	156.10
J	14	1,200	42.13	10.17	80.04	48.90	142.66
K	14	1,061	70.69	13.25	40.20	174.09	83.75
L	18	1,234	88.18	15.46	39.47	204.89	68.44
M	20	1,377	75.18	7.57	93.87	197.29	67.27
N	22	1,512	21.90	32.63	83.34	183.86	91.59
O	45	2,149	66.15	36.03	104.69	76.28	112.12
P	50	2,124	61.75	10.60	114.56	57.69	225.87
Q	59	1,534	58.16	42.23	41.32	138.90	97.12
R	106	1,290	29.24	7.11	130.47	38.68	91.47

[a]These selected expenses do not make up the total expenses of a monthly rate per child. Other costs are included, such as salaries of staff, benefits, and clothing. The state makes a determination of expenses allowable for federal funding.

[b]Mortgages and leases include costs that group homes charge for mortgages, rents, leases, leasebacks, and depreciation or use allowance on owned buildings.

[c]Administrative expenses include telephone and telegraph, postage and freight, travel, conferences, memberships, printing, bonding/general insurance, organizational costs, advertising/recruiting, miscellaneous, taxes, building and equipment insurance, utilities, and equipment leases.

SAFETY AND SANITARY CONDITIONS OF GROUP HOMES

Most of the 66 homes we visited during our review generally met state safety and sanitary licensing standards. However, 29 homes had one or more sanitary standard deficiencies. Even though state and county agencies were aware of some deficiencies, agency officials told us that their limited staff prevented them from enforcing all state regulations and assuring that homes corrected deficiencies.

In May 1985, the California Office of the Auditor General issued a report which stated that the Department of Social Services had not taken effective action against children's residential facilities, including group homes, that repeatedly failed to comply with licensing laws and regulations and that some children lived in licensed facilities that were unsanitary and unsafe.[4]

Licensing requirements

Title IV-E provides funding for children only in group homes that have met state licensing standards. The state licensing agency for California group homes is the Community Care Licensing (CCL) division, in the Department of Social Services. Title 22 of the California Administrative Code and the Licensing Regulations, Policies, and Procedures Evaluator Manual outline the basic licensing standards. These standards require that group homes maintain safe and sanitary conditions. To assure that group homes comply with licensing standards, state law requires CCL to conduct annual group home evaluations, investigate complaints regarding group home operations, and make other visits as needed.

In conducting the annual group home evaluations, CCL uses the following criteria to determine whether group homes meet safety and sanitary standards.

--Safety standards include:

1. Maintaining facility in a safe condition free from hazards.

2. Meeting all fire regulations as approved by the state fire marshall.

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[4]Some of the State's Licensed Residential Facilities for Children Are Not Safe (P-449, May 1985).

3. Maintaining safe outdoor activity areas where equipment is free from sharp, loose, or pointed parts.

4. Keeping medications in a safe and locked place.

5. Obtaining employee criminal record checks.

--Sanitary standards include:

1. Maintaining facility in clean and sanitary conditions.

2. Maintaining clean kitchen, food preparation, and storage areas free from litter, rodents, insects, and other vermin.

3. Cleaning and sanitizing all dishes and utensils for eating and drinking after each use.

4. Maintaining toilets and bathing facilities in sanitary operating condition.

5. Providing each child with furniture, equipment, and supplies necessary for maintaining personal hygiene, i.e., clean beds, linens, toothbrushes, and other hygiene articles.

Group home conditions

We reviewed over 100 state licensing reports issued in 1982-84 to determine the conditions state evaluators had found relating to safety and sanitary deficiencies at group homes. We used the state licensing deficiency descriptions as guides for our observations of conditions at the 66 group homes that we visited from March 1983 to February 1984. We considered conditions deficient only if state licensing evaluators had described the same types of conditions in their past inspections of group homes.

We found that 37 (56 percent) of the 66 homes had no deficiencies, and the other 29 (44 percent) had one or more sanitary deficiencies. We did not observe any safety deficiencies.

In all but 2 of the 66 homes, we made our inspections unannounced in order to observe children's normal day-to-day living conditions without benefit of any special preparations for visitors. The two homes where it was impractical to make our visits unannounced were too far from our office to make two visits--one unannounced and one for detailed review.

All homes met safety standards

During our on-site visits to the sample 66 group homes, we did not observe any conditions that were safety violations, according to the state licensing descriptions. However, our review of licensing reports showed that fire regulation violations and lack of employee criminal record checks were the two most common safety deficiency citations by state evaluators.

Most homes met sanitary standards

At the time of our visits, 37 of the 66 homes had no sanitary deficiencies. The other 29 homes had deficiencies in one or more of seven areas shown in the table below.

Area of deficiency	Homes visited with deficiencies	Examples of deficiencies noted
1. Bedrooms	11	Mattress directly on floor, no bed; clothes and items thrown in closets; curtains off rods; more children in room than allowed by regulation.
2. Bathrooms	21	Dirt and mold around toilet and shower; bad odor; rusty shower.
3. Kitchens	8	Dirty, sticky floor; uncovered food sitting out; dirty dishes and containers sitting out.
4. Housekeeping	10	Dirty and worn carpets; dirty walls and floors; piles of laundry on floor; problems with insects.
5. Interior maintenance	12	Holes in walls; walls and ceiling need paint; torn furniture and carpet.
6. Building exterior	10	Screens missing or torn.
7. Exterior maintenance	7	Outdoor areas need cleanup and maintenance; uncovered trash cans infested with flies.

Group home monitoring

Both state licensing and county placing officials told us that although they were aware of some group home sanitary deficiencies, higher priorities and limited staff prevented them from monitoring ongoing conditions in all group homes to assure that they met all state standards.

State licensing activity

State law requires the state licensing division to conduct annual group home evaluations for compliance with licensing regulations and to investigate any complaints concerning possible group home violations. All 66 homes we visited were licensed, and state CCL officials stated that they made annual evaluation visits. State licensing also investigates complaints, which can come from many sources--teachers, neighbors, caseworkers--on a priority basis.

According to the CCL officials, because of limited staff, CCL concentrated on the more serious types of complaints, such as abuse complaints. Complaints are prioritized as outlined below.

Group	Types of complaints
I	Sexual assault, physical abuse, questionable/wrongful death.
II	Felony penal code violations, severe neglect resulting in hospitalization of child.
III	Corporal punishment resulting in bruises or injuries; unlicensed facilities where a severe danger exists; neglect resulting in severe danger to the child; misuse of medications; misdemeanor penal code violations; lack of supervision resulting in abuse, injury, or death.
IV	Corporal punishment with no visible bruises, neglect, unlicensed premises, lack of supervision, unsanitary conditions, other regulatory violations.

Sanitary conditions at homes are in the lowest priority group of complaints, and safety violations are listed in group III only if they present a severe danger. CCL officials informed us that since they could not evaluate all complaints, they concentrated on group I and II complaints and investigated

group III and IV complaints if staff time allowed. State licensing evaluators seldom had time to investigate group IV complaints, except as part of the annual evaluation, according to CCL officials.

When licensing evaluators find deficiencies, they can take several actions, including (1) fines, (2) application and renewal denials, (3) temporary suspension and restraining orders, (4) license revocations, and (5) criminal proceedings. Licensing officials told us that fines are the most common action taken for group home safety and sanitary deficiencies. Other actions, like license revocations, were initiated only for serious deficiencies, such as child abuse, because of the lengthy processing time involved. Licensing officials also told us that license revocation actions generally took at least a year to complete, and some took several years. However, CCL officials also told us that when actions are initiated, all uncorrected deficiencies, including safety and sanitation conditions, are made part of the action.

As of March 1984, each state licensing evaluator monitored 73 group homes. According to CCL officials, this workload did not give evaluators time to monitor all home conditions. CCL officials also told us that although it is a state responsibility, they believed that county placing agencies could better monitor group homes since the county caseworker is required by state regulations to visit the home monthly.

County placing agency activities

State regulations require county caseworkers to visit children monthly to assure that they are receiving proper care. Some county officials told us that their visits were to monitor the children's treatment program and not specifically to monitor the home's safe and sanitary conditions. County placing officials from the four counties told us that limited staff prevented them from meeting monthly visit requirements.

Report of the California
Office of the Auditor General

The 66 homes we visited during our review generally met state safety and sanitary licensing standards. However, a May 1985 report of the Office of the Auditor General stated that based on its review of 130 facilities in four district offices, the Department of Social Services has not taken effective administrative action against some facilities in spite of their repeated violation of licensing laws and regulations.

It stated that some of California's licensed residential facilities for children were unsafe. The Department of Social Services has not taken effective action to ensure that all facilities comply with state licensing laws and regulations. Moreover, the department and the agencies that place children in facilities did not coordinate monitoring of or share information about residential facilities. Finally, persons who have criminal records can work with children in the facilities for up to 8 weeks before their background is investigated. Because of all these weaknesses, some children live in licensed facilities that are unsanitary, the department and placement agencies lack complete information about facilities, and children can be exposed to persons with criminal backgrounds.

DUPLICATE BILLINGS

We reviewed 12 federal programs that fund various aspects of foster care in group homes to determine the potential for duplicate billings among the programs. We found no evidence that the 18 group homes that we reviewed had billed other programs for services reimbursed by title IV-E. However, from a review of county audit reports, we noted some group home rate requests for foster care maintenance payments had inappropriately included food and education expenses that other programs had funded.

Title IV-E group home services parallel other program services

The title IV-E foster care maintenance payments, which include the costs of basic food, clothing, and shelter necessities, are sometimes paralleled by other federal programs. At least 12 federal programs provide funds and services to children in group homes. The following table[5] shows the programs and their services applicable to group homes.

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[5]This table was developed through interviews, documentary information supplied by various agencies, and reference to various laws and implementing guidance. It does not necessarily represent all that is required or prohibited by law.

Program	Shelter	Food	Education	Medical	Social services
Title IV-E	yes	yes	no	no	no
CHAMPUS	yes	yes	yes	yes	yes
Supplemental Security Income	yes	yes	no	no	no
Handicapped Education	yes	yes	yes	no	no
Mental Health	no	yes	yes	yes	yes
National School Lunch	no	yes	no	no	no
School Breakfast	no	yes	no	no	no
Special Milk	no	yes	no	no	no
Commodity (food)	no	yes	no	no	no
Medi-Cal	no	no	no	yes	no
Title XX social services	no	no	no	no	yes
Title IV-B	no	no	no	no	yes

No duplicate billing found in our sample group homes

In our sample of 18 group homes, we found that for costs submitted to support their 1983 rate, none of the homes had duplicately billed other programs for services reimbursed by foster care maintenance payments. We reviewed the financial records at the homes and evaluated the supporting documentation for selected costs that the homes submitted for foster care maintenance payments. The review showed that none of our sample homes received duplicate payments from other federal programs for the selected costs we reviewed. The monthly rates set for each home were based on allowable title IV-E costs, which were reduced for revenues received from other programs. For example, 11 of the 18 homes had received payments from the School Breakfast and National School Lunch programs. All 11 homes had reduced the costs included in their rate requests by the amount of the payments received.

Duplicate billing between title IV-E and food and education programs

Even though our sample group homes were not duplicately billing other federal programs for the year we reviewed, county audit reports for the four counties we reviewed identified several instances of duplicate billings for food and education programs.

Duplicate billings involved primarily the National School Lunch and School Breakfast programs. These programs pay group homes for the number of meals served that qualify for the programs. Group homes are then supposed to reduce their rate requests by the amounts received, according to state regulations.

We examined 19 county audit reports for review periods from 1974 to 1980 and found that some group homes did not reduce rate requests for foster care maintenance payments by the amounts received from the breakfast and lunch programs. For example, one audit disallowed about $74,000 that a home had received during a year from school breakfast and lunch programs, but had included in their rate request. Other audit findings disclosed that group homes did not reduce their rate requests from about $700 to $30,000 annually, as shown below.

County Audit Findings of Duplicate Food Payments

Group home	Approximate amount
1	$ 700
2	700
3	10,500
4	12,000
5	13,500
6	30,000

County audit reports also showed that group homes included educational expenses in their rate requests even though local school districts--which have federally supported education programs--are responsible for paying the education costs of group home children. Title IV-E does not cover educational expenses, but some group homes included these expenses as part of the overall home costs that make up the monthly rate. For example, one home received about $19,000 in education funds from the local school district and then included the same costs in its rate request.

During 1983, the state established a division for auditing group home costs, including possible duplicate food and education payments. State auditors told us in January 1985 that the state Department of Social Services had not established a policy on how recovery of disallowed and duplicate payments would be made, so they had not finalized their audit reports.

OBJECTIVES, SCOPE, AND METHODOLOGY

At the request of Congressman George Miller, we reviewed certain aspects of residential care for children in California. Residential care in California encompasses the foster care program and includes children placed in foster family homes, small family homes, and group homes. In later discussions with Mr. Miller's office, we agreed to limit our efforts to group homes in California and to determine

- --which sources of federal funds sustain children placed in group homes,
- --whether services paid for with federal funds were provided,
- --whether the rates paid to group homes were unallowable or unreasonable,
- --whether the conditions at the group homes were safe and sanitary, and
- --whether the potential existed for duplicate billings for services provided by other federal programs.

Our objectives were to determine (1) sources of funds, (2) services provided, (3) reasonableness of rates, (4) conditions at group homes, and (5) potential for duplicate billings.

We performed our review at HHS headquarters in Washington, D.C.; the HHS region IX office in San Francisco, California; the U.S. Department of Agriculture's Office of Inspector General in Orange County, California; the California departments of social services, youth authority, health services, education, mental health, and developmental services; the departments of social services and probation in the California counties of Los Angeles, Orange, San Diego, and Mendocino; and 18 group homes. We also toured an additional 48 group homes to observe typical living conditions. Our review was performed in accordance with generally accepted government audit standards.

Both HHS and the California Department of Social Services were given an opportunity to comment on our report. HHS provided us with some technical comments. The state provided some clarification points. Changes have been made in the report as appropriate. Copies of the agencies' comments are in appendixes III and IV.

FEDERAL AND STATE REVIEW

At HHS headquarters and at region IX, we reviewed pertinent sections of the Social Security Act and the Adoption Assistance and Child Welfare Act of 1980 (Public Law 96-272) to determine federal foster care legislative history. We reviewed regulations and discussed program operations with HHS officials to determine current child care policies. At the Department of Agriculture's Office of Inspector General, we determined which federal food subsidies could go to children and how funds are given to the state.

At the state level, we reviewed pertinent sections of the California statutes in the Civil Code, the Health and Safety Code, and the Welfare and Institutions Code to determine California's compliance with federal foster care requirements. We reviewed pertinent sections of the California Administrative Code to determine operational requirements for children's care facilities. We interviewed Department of Social Services officials about counties' payments for children's care. We also obtained documentation about how the state approves costs which are the basis for monthly rates paid for care. In addition, we obtained state criteria for licensing children's facilities and reviewed licensing inspection reports to analyze state efforts to maintain safe and sanitary conditions.

At both the federal and state levels, we researched the various sources of funding for foster care and, where possible, the allocated amounts. We then traced the funds through the federal and state systems to the counties that actually pay children's facilities for services provided.

COUNTY REVIEW

To perform a statistically valid random sample of all California counties, we would have had to visit over 20 of the 58 counties and a large number of group homes in each county. Because this would have required a significant expenditure of staff time and calendar days, we selected three counties with a large number of group homes, and at the suggestion of state and county social service officials, we added a smaller county to get a different perspective of child care operations. The four counties--Los Angeles, Orange, San Diego, and Mendocino--contained 337 group homes, or 30 percent of the 1,115 group homes licensed in the state in December 1983.

At the counties, we interviewed social service and probation department officials to determine how they assure that children

they have placed in group homes receive their entitled services. We reviewed the case files of the children selected at the group homes to see if and how the county determined their needs. At the counties, we reviewed financial records and traced selected payments made to group homes. We also reviewed the counties' procedures for establishing monthly rates paid to group homes before the state assumed that responsibility from the counties on October 1, 1982.

GROUP HOME REVIEW

We selected a total of 18 group homes for detailed review in the four counties. In two counties, we selected 10 percent as a sample: four group homes in Orange County and three in San Diego County. In smaller Mendocino County, where 10 percent was only one home, we selected two homes to see if there were any differences between single and multi-site home operations.[1] In the largest of the four counties, Los Angeles County, we chose 5 percent (9 homes) of the county's 170 group homes because 10 percent was beyond our time and resource limitations.

Within each county, we selected homes based on our judgment of which ones were representative. We included homes representing different types of operations; some were single site operations, while others were multi-site homes.

The following table shows the counties selected, number of group homes in the counties, and the number of homes we selected for detailed review:

[1]A multi-site home is one with more than one facility owned and administered by a single organization.

County	Total county group homes[a]	Group homes selected for detailed audit	Multi-site (more than 1 home)[b]	Single operation (1 home)
Los Angeles	170	9	9	0
San Diego	34[c]	3	3	0
Orange	35	4	3	1
Mendocino	13	2	1	1
Total	252	18	16	2

[a]Excludes homes that provided care only to developmentally disabled children.

[b]Organization operated more than 1 home.

[c]Excludes homes not funded by title IV-E.

To observe typical living conditions, we conducted unannounced inspections at 16 homes before detailed audits. Visits were made to the other two homes, but travel time and distance precluded unannounced visits. To determine if the services paid for were actually provided and to examine the allowability of selected expenses, we reviewed financial records at the group homes, the costs submitted by the homes as a basis for the monthly rates, and information obtained from case files at both the home and the county. We also determined whether children's different needs might account for any cost differential among homes. We compared selected financial information, such as directors' salaries, food costs, leasing and mortgage costs, and staffing ratios, among homes and analyzed the results.

To determine services provided, we reviewed children's case files. At the homes with a capacity of 50 or fewer children, we examined the case file for each child in residence; for homes with over 50 children, we selected a random sample of case files. We then compared services group homes provided to those required by title IV-E. We interviewed each child whose case file was reviewed. By comparing the children's responses to the county and home records, we attempted to locate possible discrepancies in services provided.

To determine if duplicate payments for food or medical services had been made, we reviewed relevant documents at the homes and counties, and state offices. From group home and state documents, we determined if food costs were appropriately reduced by federal school lunch funding and/or surplus food programs. We

examined group home and state records to see if rates paid by the county included medical services provided to the children. We additionally reviewed state Medi-Cal records and compared them to group home records to see if title IV-E funds were paying for the same services that Medi-Cal paid.

We also conducted one-time unannounced visits at 48 additional homes. The purpose of these visits was to supplement our limited sample of homes so that we would have a better idea of the types of homes within a county and to expand our knowledge of the typical conditions in which group home foster children live. At each of these visits, which lasted 1 to 3 hours, we discussed the facility's program, population staffing patterns, and current reimbursement rate with the supervisor in charge. Also, we used the state licensing criteria and prior inspection reports as a guide in our observations of whether living conditions were safe and sanitary. The following table shows the number of group homes in the counties and the number of homes visited one time:

County	Total county group homes[a]	Homes selected for one-time visit	Multi-site (more than 1 home)[b]	Single operation (1 home)
Los Angeles	170	25	16	9
San Diego	34[c]	7	6	1
Orange	35	10	7	3
Mendocino	13	6	5	1
Total	252	48	34	14

[a]Excludes homes only for the developmentally disabled.

[b]Organization operated more than 1 home.

[c]Excludes homes not funded by title IV-E.

APPENDIX III

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

JUN 12 1985

Mr. Richard L. Fogel
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Fogel:

Thank you for the opportunity to comment on your draft report, "Review of Certain Aspects of Group Home Care for Children in California." The Department has carefully reviewed your report and has no comments to make other than some technical comments which were provided directly to your staff.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

Richard P. Kusserow
Inspector General

STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814
(916) 445-4622

May 24, 1985

Mr. Richard L. Fogel, Director
United States General Accounting Office
441 G Street, N.W., Room 6848
Washington, D.C. 20548

Dear Mr. Fogel:

This is in response to your draft audit report, Review of Certain Aspects of Group Home Care for Children in California, GAO/HRD-85-62. We have attached our comments regarding Enclosure I of the report.

Thank you for the opportunity to review and comment on the draft. We would appreciate a copy of the final report.

If you have any questions, please contact me, or have your staff contact Mr. Robert T. Sertich at (916) 445-4622.

Sincerely,

LINDA S. McMAHON
Director

Attachment

GAO note: Page references in this appendix may not agree with page numbers in the final report.

Description of the Reasons for Placement in Group Homes, pages 3 and 4

The description of the reasons for placement into a group home is too global. Parental neglect will usually result in: 1) formal or informal supervision by a social worker while the child remains in the custody of his parent or guardian, 2) placement in a relative's home, 3) placement in a foster family home, or 4) permanent placement. Juvenile delinquency will usually result in: 1) formal or informal supervision by a probation officer while the youth remains in the custody of the parent or guardian, or placement in a county or state facility when public safety is a problem. Placement in a group home usually occurs because the facility provides therapeutic services needed by the child which are not available in more home-like settings, or, less frequently, because an appropriate family-like placement is not available. It is highly unlikely that a group home placement would occur simply because of "...such reasons as parental neglect or juvenile delinquency."

In the last paragraph, voluntary placements are discussed. First, the report should make clear that voluntary placements are not funded with Title IV-E funds, but with state and local funds only. Second, the children are not "...taken from their homes...". The placement is voluntary on the part of the person(s) having legal custody, and not involuntary. Third, where public funds are used, the funding agency funds the placement only if it determines that the placement is appropriate and not merely because the caretaker elects to make the placement. Finally, family economic problems would not in themselves ordinarily result in group home placement.

Federal Access to IV-B and IV-E Files, page 13

You report that "[a]ccording to HHS officials, they have not been able to determine California's compliance to Titles IV-E and IV-B case plan requirements because the state has not provided case files for HHS review." This sentence is misleading. HHS employees have always had access to the case files. In fact, we are currently reviewing a draft Title IV-E Review for Fiscal Year 1983 prepared by HHS employees based on a case file review.

A more accurate description is that to varying degrees and at different times, HHS has elected not to review the files because we refused to send them to HHS. Additionally, in regard to Title IV-B, HHS has insisted that the original case files be sent.

The usual practice has been to provide access to the review materials, a place to work, and necessary assistance to reviewers/auditors at the work site during normal business hours. The usual objective is to facilitate the audit or review without disrupting the work routine of the auditee. In regard to Title IV-B, HHS has adopted a different approach, apparently to save travel costs and avoid inconvenience to its employees. The result is to shift cost and inconvenience to the auditee. Sending original case files is expensive, risks a breach of confidentiality and may disrupt the delivery of service to the client, the child and his or her family. Sending copies requires copying voluminous files and risks a breach of confidentiality. County Welfare Departments (CWDs) are subject to audit and review by numerous agencies. They are not staffed to provide the additional services now demanded by HHS.

Missing Case Plans, page 13

Between April and June of 1983, the State Department of Social Services (SDSS) conducted a statewide child welfare services compliance review of all 58 CWDs. The total sample for this case review was 1,373 cases representing all child welfare services, including group home placements. Of these cases, on a statewide basis, 98 percent had case plans. In regard to the individual counties reviewed by your auditors, our findings show the level of compliance to be as follows: Los Angeles, 100 percent; Orange, 100 percent; San Diego, 100 percent; and Mendocino, 100 percent.

Those counties not at 100 percent have since submitted corrective action plans reflecting their actions to achieve full compliance in this area.

Complete Case Plans, page 14

Our 1983 compliance review did not look at the four elements mentioned in your audit. Instead, our review focused on the following areas:

a. The objectives of the case plan.

b. Realistic time limits for fulfilling the plan objectives.

c. Required client actions necessary for reunification if the child was in that program.

d. Required social worker/agency actions designed to reunify the child with his or her parent(s). In those cases where the child was in the permanent placement program, the social worker/agency actions were reviewed to determine the permanent plan for that child.

Our next compliance review, scheduled for the fall of 1985, will include those case plan elements mentioned in your audit.

Children are Being Placed Out of County, page 15

Although there are certain advantages in placing a child within a county, there is nothing in regulation or law that precludes a county from doing otherwise. In fact, there are good explanations as to why a county may want to place a child out of his or her county of residence. Reasons for placing a child out of county are as follows:

a. No group home providing needed services in his or her county.

b. No group home with vacancies.

c. Group home rates exceed the Board of Supervisor's directions for cost limitations.

d. The child has failed many foster care and group home placements within a county.

Six-Month Reviews, page 16

Your audit began in February 1983. If your case review used February 1983 or any month prior to February 1983 as the service month reviewed, then we may well have been out of compliance. Since PL 96-272 was implemented in California on October 1, 1982, the counties had until March 31, 1983 to have all of their cases reviewed by the juvenile court. Most counties were negotiating with the juvenile courts on methods for conducting the large number of reviews for pre-existing cases so that they could be completed within the guidelines set forth by this Department. However, our 1983 compliance review found a 95 percent compliance rate statewide for completing the six-month court review process. In regards to the individual counties reviewed by your auditors, our findings show the level of compliance to be as follows: Los Angeles, 100 percent; Orange, 96 percent; San Diego, 100 percent; and Mendocino, 100 percent. Those counties not at 100 percent compliance have since submitted corrective action plans citing the procedure to be used in order to achieve 100 percent compliance.

The six-month review will be another element in our next Child Welfare Services (CWS) compliance review scheduled for the fall of 1985.

Group Home Costs, page 19

In this section, state allowable costs for shelter, beyond what is federally allowable, are identified as "interest on second and third mortgages...." Interest on any mortgage is not federally allowable, although the wording implies that first mortgage interest is federally allowable. Further, the state only funds second and third mortgages if they are part of the original acquisition financing instrument, but not if subsequently obtained.

In regard to verifying reported cost, SDSS audit staff are currently auditing group homes for the purpose of verifying reported costs. Your comments on page 33 would appear to contradict your conclusion that the state "...does very little to verify reported costs."

Reasonableness of Group Home Rates, page 20

The Department has implemented standards of reasonableness for certain group home cost elements, effective with Fiscal Year 1984-85 rate settings. These include limits on shelter costs, automobile expenses, and salaries.

Further, through its proposed rate control system, to be implemented July 1, 1985, the Department will be categorizing programs into four peer groups and determining year-to year rate increases based on how a rate compares with other peer group members. This system, over time, will lead to more similarity among rates for similar types of children.

Illustration - Schedule of Group Homes, Bed Capacity, Monthly Rates and Selected Expenses, page 22

We doubt that the title "Director's Salary" in this illustration is correct. It is more likely "Administration payroll", a line item of expense used in the rate-setting system. This line item contains the payroll costs of all administrative personnel, not just the Director's salary.

In footnote b, "depreciation" can be omitted as the rate-setting system uses only a use allowance to determine the amount as federally allowable costs for owned property.

State Licensing Activity, page 27

The report states that according to Community Care Licensing (CCL) officials, licensing staff concentrate on the more serious types of complaints, such as physical abuse, because of limited staff. The report also indicates that CCL officials informed you that less serious complaints are investigated if staff time allows it, or are seldom investigated except as part of an annual evaluation.

Unless a complaint is considered harassment, the Department is required by law to follow up on all licensing complaints within ten working days after receipt. Department and CCL policy relative to complaint investigations is that allegations concerning the health and safety of clients is brought to the attention of a licensing supervisor immediately. Depending on the severity of the allegation(s), it may be necessary to conduct an immediate site visit. Sensitive complaints such as those involving sexual misconduct, physical abuse, questionable deaths, etc. are referred to our Office of Audits and Investigations (A&I) within two hours. A&I does prioritize complaints into four groups as you identify in your report. However, if an investigator is not available due to other investigations being conducted, the local licensing agency will have investigative responsibility. Such complaints are usually investigated within 24 hours from receipt.

If evidence is obtained by the licensing agency which substantiates the allegation(s), the case may be expedited without an investigation. Such cases are referred directly to the Office of Chief Counsel for administrative action (i.e., Temporary Suspension Order or License Revocation).

Inadequate Staffing, page 29

Funding has been sufficient to secure adequate child welfare services staffing at the county level. Each year since implementation of PL 96-272, California has seen a substantial increase in funds available to CWDs for child welfare services. In addition to previous resources, Senate Bill 1293 was enacted in 1984. This bill allocated an additional $12 million to the counties specifically for child welfare services.

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